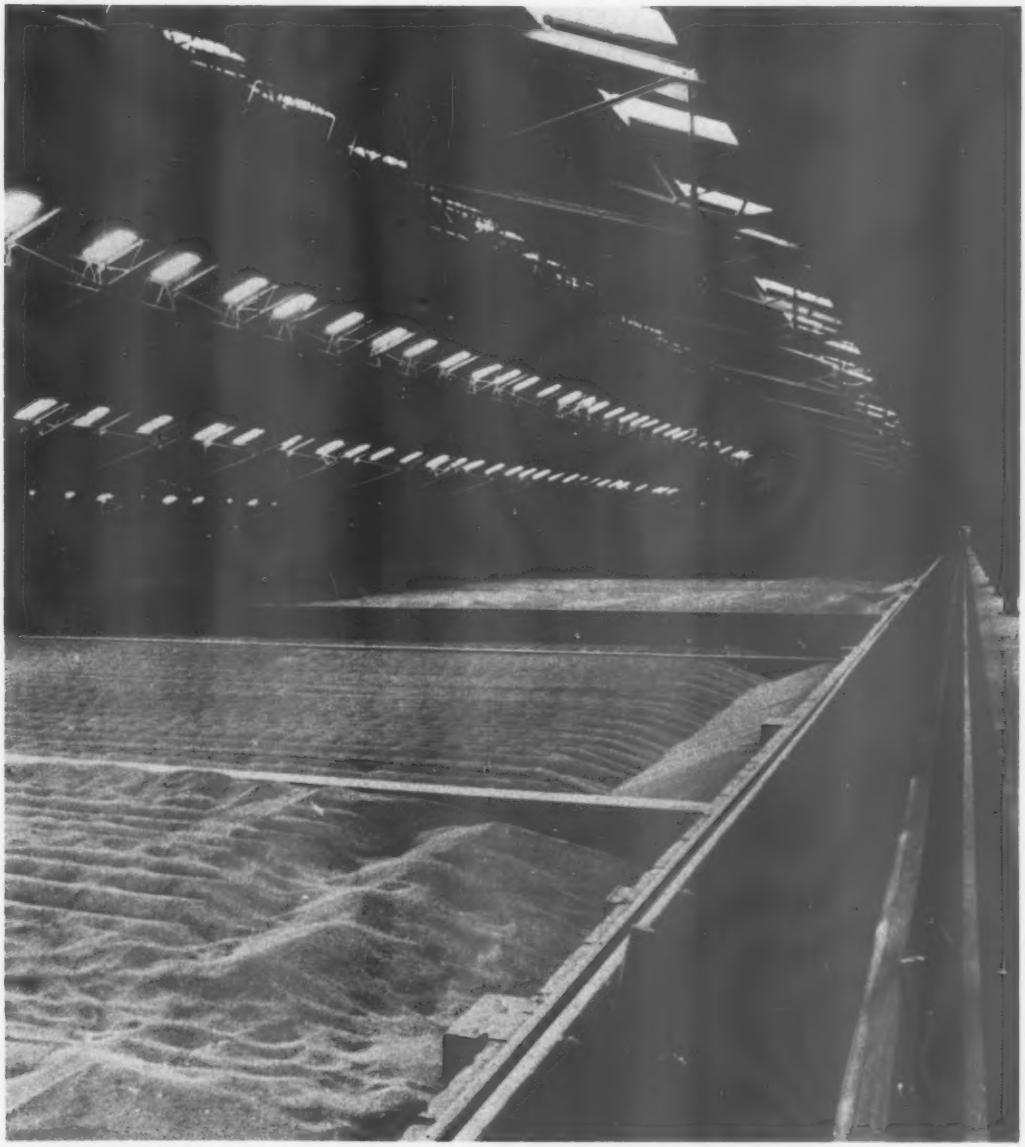
FOREIGN AGRICULTURE



French grain in storage.

Sept. 27, 1976

Drought Hurts French Grain Output, Trade

Malaysian Palm Oil Industry

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. XIV No. 39 Sept. 27, 1976

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This week's cover:

Bins full of grain in a French grain elevator. Grain will not be as abundant as usual in France this year, however, due to the prolonged European drought, which has cut that country's grain export prospects and boosted import needs. See article opposite.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. **Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.**

Drought Hits French Grain Output, Trade

FRANCE, Western Europe's top grain exporter, may be importing up to 1.5 million metric tons of corn this season as a result of the devastating drought that has gripped the country since last January. If realized, this will be a fivefold gain over imports in 1975/76 and make France a net corn importer for the first time since 1964. All but about 100,000 tons of the corn is expected to come from the United States.

At the same time, France will have to reduce its usually big corn exports by some 85 percent, while also making large cuts in its barley and wheat exports in a desperate attempt to save feed-short cattle herds.

The drought, Europe's most severe drought in a century, began around the first of the year and held on relentlessly through the spring and most of the summer. Fortunately, winter wheat and barley had been planted under generally excellent conditions, and these crops managed to escape serious damage from drought. But later sowings of spring wheat, barley, and corn were made in soils already parched from the drought and gave mediocre results.

Total grain production in 1976/77 is thus estimated at 31.2 million metric tons, 25 percent under that of a "good year" and 15 percent below the disappointing outturn of 1975/76. This shortfall, together with increased feed needs arising from pasture and fodder-crop depletion, means that exports from the new crop may tumble over 50 percent to 7.4 million tons from last year's 15.9 million, while imports of all grains climb to more than 2.2 million tons from 1 million last year.

Meantime, the Government faces some important decisions regarding use of grain for feeding of domestic livestock. The key tradeoff will be between the amount of bread wheat used for feeding purposes and the amount of corn imported, which will ultimately hinge on Government policy decisions.

Corn. Of all the grains, corn will show far the largest export decline in 1976/77, with shipments pegged at only 500,000 tons, or less than one-sixth the 3.2 million tons exported in 1975/76. The limited exports will go largely to meet obligations to other EC members—about 400,000 tons—as France gives up its usual position as a major corn exporter.

Instead, France will turn to the import market for some of the large corn supplies needed to maintain livestock feeding. These imports could reach as much as 1.5 million tons, compared with only 318,000 last season. Up to 1.4 million tons could come from the United States, which normally must compete with France in the EC corn market.

The sharp export decline comes as a result of a 42 percent plunge in France's estimated corn production. Recently a disappointing crop in France because of static production results, corn began the season on the downside with a 16 percent cut in area to 1.65 million hectares. This, together with sharply reduced yields because of drought, reduced the 1976 crop to an estimated 5.7 million tons, compared with 8.2 million in 1975.

Given the lack of material improvement in weather during August, this estimate could fall even further. Stunted corn plants with only one ear per plant in many cases may not have had the leaf surface area to develop the ears properly. Furthermore, previously undamaged corn in the southwest, which accounts for some 30 percent of the corn, came under stress from the drought during August.

Barley. Shipments of this crop likewise will plunge sharply in 1976/77, as the French retain as much as possible for use domestically in animal feed. Consequently, current forecasts call for limited exports of only around 800,000 tons, compared with 3.1 million and 2.7 million in the 2 previous years.

Production of barley in 1976 is not down as precipitously as that of corn, with estimates placing the decline at 17 percent to 7.8 million tons. Acreage contracted only slightly and about 30 percent of this barley is a winter variety and escaped damage from the drought. Spring varieties, in contrast, felt the full brunt of the drought, getting off to a poor start on dry soils and suffering from lack of rain during the duration of the season.

The shortfall will be felt keenly in France, since demand there for barley is strong, both from the animal feeding and brewing industries.

Wheat. The sharply reduced supplies of feedgrains, plus limited forage and fodder crops, will cut into French wheat exports also—despite the fact that this year's wheat crop may be slightly above the disappointing one of 1975. Current

French Survey Reveals Forage Deficit

Although 40 percent of the French cattle herd has been spared, direct problems from the drought, a survey by the French Technical Institute of Cattle Raising (ITEB) concludes that the national deficit in forage is on the order of 55-65 percent of the normal stock. (These estimates were made by weighting the deficit in the various zones by the equivalent percentage of the herd found in that zone.) To express this deficit in tons of animal feed, ITEB used the following two approaches:

- In terms of the normal needs of the animals concerned (cattle, sheep, goats, or horses).
- In terms of the deficit related to the area of forage and the average yields reported by the French statistical office.

These two methods yielded parallel results showing a deficit of 30-35 million tons of dry forage.

The conclusion of the ITEB study is that even with the utilization of 10 million tons of straw in order to compensate partly for lost forage, 13-20 million tons of cereal and soy meal would be needed to maintain the French herd. And even with this extraordinary measure (which does not include the cereal used for animal feeding in normal years), it would be difficult to maintain the performance of the animals.

What becomes clear from all this is that grain feeding of animals in France will expand sharply in 1976/77. An estimated 5 percent expansion in poultry feeding plus 2 or 3 percent expansion in hog feeding will be joined by a large expansion in cattle feeding. The extent of this will depend on the financial resources of the farmers, the willingness of the Government to facilitate imports of feedstuffs, and perhaps the capacity of the feed compounder to handle the increased demand.

—WAYNE W. SHARP, FAS

Harvesting corn in France, where a severe drought has sharply reduced corn production and export prospects.

estimates see this trade declining by more than a third to 6 million tons from the 9.13 million of 1975/76.

Unlike corn and barley producers, French wheat farmers boosted their 1976 plantings by 11 percent in hopes of compensating for the poor crop of 1975. Their goal was to increase production to nearly 20 million tons from the disappointing 15 million of 1975. Good planting conditions, however, were soon followed by dry weather, and as 1976 wore on the increasingly serious water shortage caused a steady reduction in the wheat crop estimate. That estimate now stands at 15.3 million tons, with 500,000 tons of it Durum wheat.

The situation would have been worse had not 90 percent of the crop been in winter varieties, which yielded an excellent-quality wheat, low in moisture and high in protein.

Forage and feed. In contrast to its minor role of previous years, forage is playing a crucial part in France's 1976/77 grain picture. This is because forage supplies are so reduced that the country's normally grassfed beef and dairy cattle will have to receive large amounts of feed if heavy slaughtering is to be avoided.

The story of fodder production is repeated in most areas. The first cutting in late spring was fairly good, yielding 80-90 percent of normal production of hay or alfalfa. The second cutting was less than 50 percent of normal, and the third, for the most part, never occurred. With corn seriously affected by the drought, as are beets and other potential forage crops, relief is not forthcoming from corn ensilage production or secondary forage. Also, since little rainfall occurred during mid-July and August, the promise of second pasture growth following the rains of mid-July has not been realized to any great extent.

Second crops such as rye grass, sorghum, forage cabbage, forage radishes, rapeseed, sunflower, mustard, turnips, and peas—to mention a few—will be affected to varying degrees by the continued dryness.

Consequently, the French Technical Institute of Cattle Raising (ITEB) estimates that straw production this year will be only about 13-14 million tons, of which 9-10 million tons at best are usable as animal feed. This compares with a normal annual production of 27 million tons.

FRENCH agriculture has responded to the forage emergency with an ambitious nationwide campaign to harvest, bale, and transport to deficit forage areas the straw from wheat, barley, and oats that normally is burned or chopped. With the help of the army, subsidies, and reduced transportation charges, this campaign has been largely successful.

Nevertheless, straw provides only the cellulose and not the protein and minerals available from hay and other fodder. Thus, straw must be supplemented with grains and protein feeds to be effective. Various formulae have been proposed, with cereals generally representing 20-40 percent of the straw, depending on the type of cattle fed. INRA—the French research agency—further recommends that the straw be complemented with "Rumilex 45," which is composed of a base of molasses containing nitrogen materials, minerals (particularly phosphorous), soluble sugars, and vitamins.

ITEB has studied this problem and concludes that with all the best efforts described above—and including measures to reduce milk production and to substitute feeding—heavy cattle slaughter will take place in the fall. Original predictions for beef production in 1976 called for a small decrease of about 3 percent over last year's heavy production levels. This was the case until May, when weekly production increased by some 10 percent over 1975 levels. By June and July, these rates were 25-35 percent over those of 1975.

It is the declared policy of the French Government to prevent decimation of the herd during this critical period, indicating the need for heavy imports of corn. Alternatively, large quantities of exportable wheat will have to be diverted into domestic feeding channels. —Based on dispatch from

WAYNE W. SHARP
U.S. Agricultural Attaché, Paris

Cigarette use reduced

West Germany Imported Less U.S. Tobacco in 1975

THE HIGHER PRICES of U.S. tobaccos in 1975, continued debate over possible smoking hazards, and an overall reduction in cigarette sales, resulted in a drop in West German imports of U.S. leaf last year. Total West German tobacco consumption, however, was up slightly.

German tobacco imports (actual arrivals) in 1975—at 179,046 metric tons—were 11.2 percent lower than 1974's 201,500 tons. The drop in last year's imports was largely because importers had been able to build stocks in 1974 at a favorable exchange rate. In 1975, the Deutsche mark-U.S. dollar parity also favored West Germany, but in view of near normal leaf holdings and the uncertain outlook for future consumption, purchases were made more cautiously and kept in balance with overall supply and demand.

German imports of U.S. tobacco in 1975 were 4.7 percent less than 1974's, totaling 44,753 metric tons, valued at DM372 million. (In 1975, US$1= DM2.44.) However, the decline was almost entirely because of lower purchases of tobacco offal (down 58 percent), while leaf imports held their own. The U.S. share of German leaf imports increased slightly and constituted 26 percent of the total.

The U.S. share of German tobacco arrivals in 1975, by variety, was greater for burley and Kentucky fire-cured leaf, and down for flue-cured, light and dark air-cured, offal, and reconstituted tobacco.

Despite its price disadvantage—the average cost for U.S. tobacco was 61.1 percent higher than for all others—American leaf has continued to provide the basic flavor and aroma for German cigarettes. More than 97 percent of all U.S. leaf imports by West Germany is used for cigarette manufacture.

West Germany reexports sizable quantities of its imported tobacco, chiefly to other West European countries. In 1975, reexports were 8.5 percent higher than 1974's, climbing to 33,867 tons valued at DM154 million. Nearly half of these reexports were scrap tobacco. The bulk of leaf-tobacco reexports was of cigar leaf from Indonesia and South America. It is believed that 1975's reexports included about 5,000 tons of American tobacco, mostly flue-cured.

Tax-paid withdrawals from bond, formerly the most accurate indicator of West German domestic cigarette consumption, were down by 1.4 percent to 126.2 billion cigarettes in 1975 (including 1.2 billion imported cigarettes), but actual consumption may have been several billion units greater. Many of the cigarettes exported by West Germany in 1975 may have reentered the Federal Republic in the possession of smugglers, tourists, and commuters.

If the estimate of the number of German-made cigarettes being brought back into Germany is accurate—said to be 4-5 billion—it is likely domestic consumption may not have fallen as much as indicated by official data and actual usage may have been about the same as in 1974. At any rate, German cigarette production rose by 0.9 percent to 141 billion in 1975.

German cigarette exports—primarily to neighboring countries—rose last year by nearly 23 percent to a postwar high of 16 billion cigarettes.

Cigarette sales in West Germany in 1975 were influenced by health and economic factors, but to differing degrees. The overall state of the economy had some impact on German cigarette consumption because of repatriation by many foreign workers. At the peak of the labor influx, foreign workers consumed about 12 percent of all domestically produced cigarettes.

A RECENT INFLATION-CAUSED cigarette price boost of about 5 percent also probably affected cigarette sales.

The health issue has placed cigarettes containing a large portion of U.S. leaf at what may be a serious and continuing disadvantage. Many German smokers are switching to lighter and milder cigarette types that are lower in nicotine and tar. Because U.S. leaf is relatively high on both counts, the trend is militating against the continued high use of American tobacco. The rise from a 26.5-percent market share for "light and mild" cigarettes in 1974 to 28 percent in 1975 shows that the trend is continuing.

Nearly half of the 24 new brands of cigarettes placed on the German market in 1975 and the early part of 1976 claimed to be low in nicotine.

But fortunately for American tobacco growers, sales of more full-bodied cigarettes also continued to rise in 1975, gaining about one percentage point to take over an estimated 27 percent of the market.

The higher cigarette prices and the general economic downturn have induced many consumers to shift back to roll-your-own cigarettes, even though the price hike for fine-cut (shag) tobacco was 11 percent and that for coarse-cut (pipe) tobacco was 8 percent above previous levels, both considerably greater than the percentage increases for cigarettes. Domestic sales of fine-cut tobacco rose by 25 percent to 7,547 tons and those of coarse-cut tobacco by 3.5 percent to 1,916 tons.

THEIR COMBINED sales included 1,900 tons of imported smoking tobacco. Total imports were up by nearly 31 percent in 1975. But because German exports of smoking tobacco (903 tons) stayed at about the 1974 level, production rose by only 15.4 percent to 8,466 tons.

(The 1975 German tobacco crop totaled 19.7 million pounds (farm weight), 12.3 percent lower than the amount harvested the previous year. The 1975 tobacco-crop area was only 2.8 percent smaller than the previous year's at 9,482 acres, but yields were down—by 5.5 percent for cigar leaf and 8.6 percent for burley.

(Only flue-cured tobacco showed a higher-than-average yield, but, because this tobacco type accounted for slightly less than 6 percent of total production, its impact was minimal. The production shift from cigar leaf to burley continued in 1975, with these varieties accounting for 41 and 53 percent, respectively, of the crop.)

(A preliminary poll of farmers' planting intentions in early 1976 showed that this year's tobacco crop area will be expanded by about 2.4 percent to 9,700 acres. Based on long-term average yields, it is expected the 1976 crop will total 21.6 million pounds, an outturn about 9-10 percent greater than 1975's.)

Malaysia Streamlining And Strengthening Palm Oil Sector

By JOHN S. DeCOURCY
Former U.S. Agricultural Attaché
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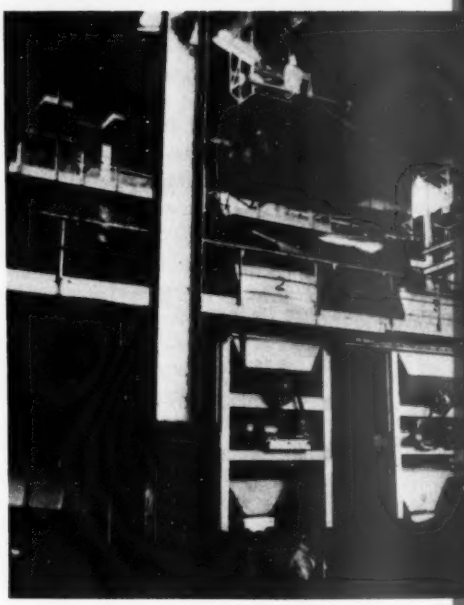

As MALAYSIA'S palm oil production and exports continue to surge—and their importance to the country's economy rises—the Government is moving to set up an organizational framework to streamline the industry and make it more efficient.

Palm oil and oil palm products generated about 17 percent of Malaysia's export earnings in 1975, second only to rubber with 25 percent. In terms of income to the Government, palm oil—produced from only about one-fourth as many acres as rubber—contributed nearly three times as much revenue in 1975 in the form of export tax and surcharge payments as did rubber, historically the country's No. 1 revenue earner.

The Malaysian Government has indicated its interest in the industry's further growth and strength by drafting a bill to set up a Palm Oil Registration and Licensing Authority (PORLA). The main objectives of the bill are to promote efficient marketing of palm oil; boost the quality of Malaysian palm oil entering world trade; protect the interests of small-holders; set production quality standards; assure orderly development of the refining sector; and regulate bulking and shipping facilities.

Initial opposition to the bill largely has been overcome and it now receives widespread industry support. The Authority will probably be in operation before the end of 1976.

PORLA will be administered by a committee representing both the Government and the industry. It is understood the Authority will license palm oil mills, processors, dealers, traders, and shippers. There is no plan to have it control acreage or production.

The Bill also provides for two types of taxes—one to pay operating expenses of the Authority, the other to support palm oil research.

Also, the Government is examining the establishment of a palm oil exchange in Kuala Lumpur. Studies are underway to determine how such an exchange should be set up and how it would operate. It is not likely, however, that such an exchange would be in operation within the current year.

In January 1975, the Malaysian Government, for the first time, applied an export duty and surcharge to palm oil produced by private mills in Sabah, but exempted oil produced in Sabah Land Development Board (SLDB) mills. In January 1976, SLDB mills became subject to 50 percent of the tax and surcharge, and in time they will be assessed the full rate. Growers who have not yet amortized their establishment costs—and that includes most of them—will be particularly hard hit. Moreover, the tax falls more heavily on Sabah producers than on those in Peninsular Malaysia since estimated production costs in Sabah are almost one-third higher.

On July 1, 1976, a graduated export tax also became effective on refined palm oil. The tax is based on the export tax (and the surcharge) applied to crude palm oil. It is calculated in terms of an exception from the crude oil tax rate, varying according to the degree of processing.

Thus, for instance, a processor who merely neutralizes crude palm oil would pay 50 percent of the full duty rate currently applied to crude palm oil. In addition, he would pay the full amount of the surcharge.

Higher rates of exemption apply to processors who refine palm oil even more. For example, a processor who carries out fractionization, bleaching, neutralization, and deodorizing would be totally exempt from the export duty, having to pay only the export duty surcharge. The new duty structure thus encourages higher investment in the palm oil industry, a greater degree of refining within Malaysia, and, it is hoped by the Malaysian Government, will provide a higher quality product for export to world markets.

The Federal Land Development Authority (FELDA) has established 167 land settlement projects in Peninsular Malaysia over the past 10 years on about 720,000 acres. About 90 of these, covering 450,000 acres, are oil palm projects. It is estimated that of the 32,000 families settled in FELDA schemes, about 20,000 are on such projects.

Over the past 3 years, incomes of settlers on oil palm projects have—on occasion—been as much as 2½ times as much as those of settlers producing rubber. It was during this period that FELDA planners were encouraged to continue the rapid expansion of oil palm acreage. In 1975, however, the situation almost reversed itself. Oil-palm-grove owners are currently earning less on average than are rubber growers,

Left: Truck crew collecting palm fruit bunches along estate road where they had earlier been deposited by harvesters. Below: Containers of sterilized, fresh fruit bunches being dumped into a machine that separates fruit from bunch prior to oil extraction.

prompting Government and industry leaders to have second thoughts about continued rapid expansion of oil palm acreage. There are some who now counsel FELDA to again emphasize rubber production.

Oil palm acreage will likely continue to expand during the current Malaysian plan period (1976-80), but at a somewhat reduced rate.

Cocoa, which could become Malaysia's next boom crop, is also receiving increased attention from FELDA.

Total area planted to oil palm in Peninsular Malaysia reached an estimated 1.31 million acres by the end of 1975, of which an estimated 860,000 acres were trees of bearing age. The acreage increase has also continued in East Malaysia (almost entirely in Sabah), where total planted area reached 180,000 acres.

Projected planted area for all of Malaysia is expected to attain 1.59 million acres in 1976, and will continue to rise in the years ahead, reaching 1.90 million acres by 1980.

Palm oil production in Peninsular Malaysia had passed the 1-million-long-ton mark by November 1975, and reached about 1.11 million for the year, an increase of about 20 percent compared with the previous year's output. East Sabah's production is estimated at 116,248 tons in 1975. Total output is estimated to reach 1.43 million tons in 1976, rising to 2.63 million by 1980.

However, some producers believe that 1976 production may be less than projected. This year's dry spell in January-March was more prolonged—even drier—in some locations than it has been in many years. By April, most—but not all—areas were once again receiving normal amounts of rainfall, but the discussion among experts about the effects of this year's dry period on production—both long and short term—still continues.

About all that can be said with any degree of certainty is that no one knows for sure what the results will be. There are those who thought output would dip in about 5-6 months as fruit bunches that developed during the dry period reached maturity. Others believed the effects would not show up for as long as 18-24 months after the drought. It is likely both views are correct.

The problem stems from Malaysia's lack of experience with droughts of any consequence during the year since palm oil has been a major crop. Studies now underway may determine the effects of this year's dry spell, but the results of these investigations will not be available until later in 1976.

Increases in palm oil production come both as a result of larger acreages reaching bearing age and from increased yields as trees mature.

In 1975, about 137,000 additional acres reached bearing age in Peninsular Malaysia—161,000 acres if East Malaysia is included. It is forecast that 800,000 more acres will reach maturity in Malaysia as a whole between 1976 and the end of 1980.

The yield increase occurs each year after the oil palms reach bearing age (about 30 months from field planting) until they reach about 8-10 years of age. Three-year-old palms might produce an average of about one-half ton of crude palm oil per acre, depending on location, soil, and so forth. Yields can average up to 2 tons or more of oil per acre by the 8th year, and yields of up to 3 tons of oil are not uncommon on better soils.

Since most of the oil palm trees in Malaysia are less than 8 years old, large increases in production are to be expected as existing stands—planted over the past 6-7 years—approach peak years of production.

Peninsular Malaysia's exports of palm oil in 1975 totaled 818,300 long tons (crude oil only) plus 169,290 tons of refined palm oil and 30,670 tons of palm olein, for a total of slightly more than 1 million long tons. The previous year's exports of refined and crude oils and palm oleins were 800,200 tons. (In 1974, separate data were not kept.)

IN 1975, THE FIVE leading customers for Peninsular Malaysia's crude oil were: The United States, 239,450 tons; the Netherlands, 141,020; the United Kingdom, 111,330; Iraq, 72,940; and Pakistan, 53,120. Export markets for Malaysia's refined palm oil were: Singapore, 90,530 tons; the United States, 73,400; Japan, 3,520; and the United Kingdom, 17. Malaysia's palm olein went to several European countries, Japan, and the United States.

The top five purchasers of refined and crude oils and olein in 1974 were: Singapore, 222,820 tons; the Netherlands, 121,630; the United States, 105,900; the United Kingdom, 104,590; and Iraq, 76,370.

The value of Peninsular Malaysia's 1975 exports of crude and refined palm oils and oleins was M$1,182.2 million, 21 percent greater than the 1974 total of M$979.3 million (US$1-M$2.53.)

Singapore has been the transshipment point for large quantities of Malaysian palm oil and, although crude oil shipments there fell by 78 percent between 1974 and 1975, the high level of refined oil shipments helped offset some of the drop. However, with the development of the Malaysian deepwater port at Pasir Gudang on the Singapore Strait in the State of Johore, the importance of Singapore as a transshipment point for Malaysia's palm oil is diminishing. Exports through the bulking facility there may cease in the next few years.

EC Commission Reports on Drought Impact

GRAIN

Wheat production has not been hit very hard by the drought, although yields are lower than normal. This has been offset by an increase of about 800,000 hectares in area. EC production of soft wheat is estimated at 35.5 million tons as compared with 33.8 million in 1975. Moreover, the quality is reported to be better than average.

Protein content is high and moisture content is low. EC production of Durum wheat is estimated at 4 million tons—200,000 tons down from last year's. This reduction results from a shift away from high-yield, low-quality varieities by French producers.

Barley production is estimated at about 30 million tons, 2 million tons lower than in 1974/75. This reduction is due both to a cutback in area of 200,000 hectares and to the effects of the drought on yields. Moreover, the quality of the barley is said to be low, particularly that of malting barley.

The Commission reports that it is still too early to accurately estimate corn production, but feels it will certainly be well below last year's, perhaps 11.5-12 million tons compared with 14 million tons last year. The reduction is due to smaller area, lower yields resulting from the drought, and the harvesting of a part of the corn area for silage instead of for grains as originally intended.

The 93-million-ton grain production total estimate for 1976/77 is 4 percent below last year's level. The Commission expects on-farm use of soft wheat to increase to about 7 million tons, more than 1 million tons higher than in 1975/76. Nonetheless, the amount of soft wheat put on the market is expected to increase to 28.6 million tons in 1976/77 compared with 27.7 million in 1975/76.

The marketing of barley is expected to fall from 17.3 million to 15.8 million tons, while on-farm use is expected to remain about the same as last year's 14.7 million tons. Commercial sales of grains for livestock feed (as opposed to grain feeding on the farm) are expected to increase largely as a result of the substitution of grains for forage products. Soft wheat sales should rise to 5.8 million tons in 1976/77 from 4.3 million tons the previous year, barley sales should go to 10.5-11.5 million from 9.8 million, and corn sales go to 18.8-19.8 million from 17.7 million.

The European Community Commission in a preliminary report to the EC Council on the impact of this year's drought on agriculture estimates total EC grain production in 1976/77 at about 93 million tons.

Not greatly affected are fruits, wine, winter grains, and rapeseed, but EC production of summer grains, hay, corn, sugar, milk, potatoes, and certain other vegetables, the report says are significantly reduced. On the other hand, the reduction in beef production in 1976 will be much less pronounced than anticipated as a result of increased slaughtering.

The Commission expects increased imports of feed grains and other animal feed products, soybean products, and potatoes, while exports of wheat and sugar are expected to decline.

Because of relatively abundant supplies on the world market, however, the Commission anticipates that supplies will be available to EC consumers at reasonable prices for all basic agricultural products with the exception of potatoes and certain other vegetables.

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Publication of this preliminary report does not represent an endorsement by FAS or the USDA. EC estimates may differ from those presented in USDA/FAS publications. However, in light of the significance of this year's drought in parts of Europe, we feel this EC assessment warrants publication here. FAS will continue to assess drought impact in its regular commodity reports.

Import needs for barley for feed and malting are estimated to be about 3 million tons; however, the Commission thinks that part of this need for feed barley will have to be met by imports of other grains. It estimates that imports of corn will be about 16-18 million tons, as compared to about 13 million tons in 1975/76.

The Commission expects that EC grain prices will hover around the threshold level and that this year will be more sensitive to variations on the world market. It notes, however, that with the exception of barley, large supplies of grain appear to be available on the world market.

SUGAR

The Commission estimates production at 9.6 million tons in 1976/77, 14 percent lower than normal. This estimate, however, is not felt to be firm. Samples taken thus far have shown very low yields in sugar beets, but the sugar content of the beets has been extremely high.

EC consumption of sugar for 1976/77 is estimated at 9.6 million tons. Since imports of about 1.4 million tons from the Africa-Caribbean-Pacific countries and other third countries must be added to EC production, EC supplies will exceed consumption by about 1.4 million tons.

About 400,000-500,000 tons will go into EC minimum stocks and the remainder will be exported either in the form of sugar or processed products. EC prices are expected to remain within the range set by the intervention price and the threshold price.

OILCAKE AND MEAL

According to the report, EC consumption of vegetable oilcake and meal is normally about 14 million tons per year with only about 600,000 tons coming from domestic oilseeds. Given the sharp reduction in roughage owing to the drought, the Commission thinks it quite likely that an increase in demand for oilcake similar to that experienced in the first half of 1976 (when imports rose 25 to 30 percent) will occur.

Even taking into account a slight reduction of the livestock herd due to increased slaughtering, import needs for 1976/77 are estimated as follows: Soybeans, 9 million tons; other oilseeds, 2 million tons; soybean cake and meal, 4 million tons, and other oilcakes, 4 million tons. The Commission also feels that an increase in world prices of these products may well occur.

The Commission also expects significant imports of certain other feeds in 1976/77 such as bran and other milling byproducts, 2 million tons; corn gluten,

Continued on page 12

Drought update

Crop, Export Prospects Dim For Australian Wheat Farmers

By R. KEITH SEVERIN
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WITH DROUGHT gripping much of its wheat areas during the critical planting and early growing seasons, Australia appears headed toward a one-third reduction in its 1976 wheat crop from last year's level and almost as big a drop in exports. But the crop will be somewhat above earlier pessimistic reports, and the wheat industry's better position vis-à-vis livestock production is expected to encourage expansion in wheat plantings next year.

As recently as September 2, the Australian Wheat Board estimated the 1976 wheat crop at about 8 million tons, compared with 12 million last season. The 8-million-ton estimate assumed normal weather through the harvest period that concludes in January. However, there has been some improvement in Australia's wheat producing areas since then, and the official estimate has been increased slightly.

Exports will suffer as a result of the smaller crop and may total only about 6 million tons during the December 1976-November 1977 marketing year, against 8.7 million estimated for this season.

Australian growers' planting intentions as of March 31 indicated 9.7 million hectares (1 hectare=2.471 acres) would be seeded to wheat for the current crop. It was estimated that the 13 percent increase in acreage over the 8.6 million hectares of 1975 would result in a crop of as much as 13.5 million tons. However, a shift of the winter high pressure zones to more southerly latitudes than usual created drought conditions that caused 1976 wheat seedings to drop to 7.65 million hectares as estimated by the Australian Wheat Board—the least since 1972.

At present, it appears that the national average wheat yield for the 1976 crop will be only about 1 ton per hectare, substantially less than the 1.39 produced last year when the crop got off to a very late and poor start. In 1975, though, rains began in late July and continued to fall in optimum amounts and at the right time until harvest.

By contrast, it is too late in the season for further plantings to be made or for recoupment of potential yield losses in areas stricken by drought. Based on past weather behavior, the dry weather is expected to persist for the next 3 months in those areas affected—particularly northern Western Australia and parts of South Australia. At best, normal rainfall can now only prevent deterioration of yields where farmers have succeeded in getting stands of wheat established.

The unusually dry weather has become of such concern to Australia that the Government has decided to establish a standing committee to monitor drought.

Besides reducing the amount of wheat Australia will have available for export from the 1976 crop, the drought will also have a strong impact on the classes of wheat able to be supplied to overseas buyers.

Australian Standard White (ASW) is Australia's most prominently known class of wheat and is the mainstay of its export trade. Since this class was established under the new system of nomenclature that took effect in 1966/67, ASW has accounted for three-quarters of Australia's exports.

In recent years the bulk of the ASW has been grown in and shipped from the States of Western Australia, Victoria, and the southern and western parts of New South Wales, where rainfall has been especially short this season. Present conditions indicate that the 1976 wheat crop in these areas will total little more than 5 million tons, compared with nearly twice as much last year. While these prospective circumstances are severe in general, the smaller crop in Western Australia will have an inordinate impact on the export situation.

Western Australia has been the largest producer of ASW wheat and last year had a record crop of 4.1 million tons. As of late July some areas had received precipitation equivalent to the lowest yearly result on record. Consequently, prospects are poor, with a crop not much more than half the size of last year's in the offing.

Moreover, Western Australian ports are all relatively close to the large markets of the Far East, which buy substantial quantities of ASW from Australia and Western White wheat from the United States.

Rather ironically, the export shipping capacity of Western Australia is scheduled to be augmented vastly in late November when the new terminal at Kwinana is completed. Located near the port of Fremantle, Kwinana will be able to load ocean vessels at the rate of 5,000 tons per hour and discharge cars from two railroads simultaneously at the rate of 4,000 tons per hour. That facility can store 31 million bushels (840,000 metric tons) of wheat. In Australia's last two marketing years (December 1973-November 1975) 11.4 million tons of ASW were exported, and of this 6.3 million were shipped from Western Australia. The country's total wheat and flour exports for the period were 16.0 million tons.

While heavier than normal August and early-September rains in some areas of Western Australia undoubtedly benefited the crop, their main effect was to keep conditions from deteriorating in the regions where the crop was more or less normal. The rains were too late in the northern and eastern parts of the region's wheat belt but did provide water for the livestock primarily sheep.

ALTHOUGH not as severe similar wheat production and export conditions exist in Victoria and South Australia.

In contrast, conditions in the Hard wheat producing areas in eastern Australia are quite different. Crop prospects are excellent in northern New South Wales and the Darling Downs of Queensland where Prime Hard wheat is produced. Soil moisture is ample to ensure a crop with high yields, but quality will depend upon the weather immediately before and during harvest. Rain at that time has a bad effect on quality and can cause the high-quality, high-protein wheat to deteriorate to the point where

Based on a recent trip by the author to Australia's major wheat-producing regions.

it becomes feed wheat.

Nonetheless, a large tonnage of wheat will be produced this year in the northeastern part of the Australian wheat belt. Quality considerations notwithstanding and taking into account production prospects, Australia's 1976 wheat crop could have an unusually high proportion of Prime Hard and Hard wheats. In relation to ASW, these two classes of wheat have not been nearly so important in Australia's export trade.

CONSEQUENTLY, exports in 1976/77 may suffer not only from the short total crop but also from the sharp changes in output of the various classes. Australia thus can be expected to be less aggressive than usual in the world wheat market during 1976/77.

Australia's export problems in 1976/77 will be complicated by the situation in New South Wales. The 1975 wheat harvest there was a record 4.3 million tons, resulting in large stocks in the northern part of the State that still have not been moved. With another big harvest in the offing there, a storage crunch is developing since the rail transport system and the State's two export terminals have not been able to move the wheat rapidly enough to empty warehouses of last year's crop.

Although now being dealt with by Australian wheat authorities, these bottlenecks will both hamper the country's export performance and cause 1976/77 carryover stocks to be higher than they might otherwise be. Yearend wheat stocks in New South Wales alone will be about 1 million tons in excess of the normal level.

Not only will less Australian wheat be available for export in 1976/77 because of the drought-reduced crop, but prices will be lower as a result of an increase in world wheat supplies. Wheat prices received by Australian farmers are basically set by the world market because the bulk of their wheat is exported. (Less than 3 million tons a year is utilized domestically.)

The income effect will be large indeed if the 1976 crop is down by as much as 4 million tons from the 12 million of last year and prices are down by $10 per ton. Prices could in fact drop even more owing to the estimated increase of about 10 percent in world wheat production, although strong world demand for coarse grain should have a bolstering effect on wheat.

At first glance, these prospects would seem to have negative implications for the future of Australia's wheat industry since they mean lower incomes for Australian farmers. However, farmers may well end up boosting their acreage next year and in succeeding years as a result of the even bleaker livestock situation.

Some farm economists in Australia think that if the livestock economy remains relatively weak wheat producers might raise their 1977 acreage by as much as 10 percent. Given a normal year, with average yields, farmers would be able to recover somewhat from the effects of the drought. But some time for economic recovery will be necessary, despite 3 successive years of prosperity, since many farmers have invested heavily in the most modern, large-scale equipment and are not in a liquid financial position.

The advance payment that farmers normally receive for their crop at the time of harvest has not yet been announced, but farmers are pressing for $A1.80[1] per bushel ($A66.10 per metric ton). In addition, they are scheduled to receive $A13 per ton for deliveries from the 1974 crop and $A20 per ton for deliveries from the 1975 crop between next November and March. This will help them to meet current cash needs.

More immediate help is available through the offer of the Australian Wheat Board to make a cash payment on September 15 of the $A10 due next February, but at a 12 percent discount. Only a small number of growers have availed themselves of the last discount offer, however.

The severity of the 1976 drought has evoked discussions about the wisdom of increasing wheat area generally—and hopefully production—in order to compensate for the frequent dry spells while stabilizing export supplies. Although Australia has an abundance of easily accessible land that could be brought into production at relatively low cost, the feasibility of holding large wheat stocks in Australia's climate is questionable. Insect pests are prevalent in storage there and grain must be constantly guarded against them.

[1] $A1 = U.S.$1.24.

DROUGHT CUTS AUSTRALIA'S GRAIN SUPPLIES

Australia's 1976/77 production of feedgrain (corn and sorghum harvested in spring 1976, barley and oats to be harvested in late 1976) is likely to be smaller than that of last season, owing to drought conditions in major growing areas. Feedgrain production during the past year—1975/76—has been good, with a record barley crop and high oats production.

Although barley plantings are up, yields in 1976/77 are expected to be well below average. Latest reports indicate only about 3 million metric tons will be harvested, compared with the estimated total of 3.2 million tons estimated to be harvestd in 1976/77.

Barley export availability for 1976/77 is now forecast at roughly 1.8 million to 1.9 million tons. This is quite a drop from the 2.5 million tons of barley Australia expects to export during the 1975/76 December-November marketing period, during which the USSR purchased 840,000 tons (42 percent of total barley exports), while Japan purchased 660,000 tons (33 percent).

Oats plantings this year were also much lower than those of 1975/76, and a large proportion will be required for grazing. Most of the oats crop will be needed to replenish farm stocks, which were drawn down last year due to attractive prices. As a result, small quantities will be available for export.

The 1975/76 oats crop is estimated at 1.18 million tons. Exports are expected to be at record levels, totaling 375,000 tons, as 190,000 tons have already been sold to the USSR.

Although it is somewhat early to predict grain sorghum plantings with any certainty, it is clear that substantial areas prepared—but not sown—for winter grain will now be planted to sorghum. It is expected that sorghum plantings may increase to about 70,000 hectares, if seasonal conditions are favorable. An increase in corn plantings during the coming season is also likely, but only limited quantities of this grain are normally available for export.

—Based on a report from HARLAN J. DIRKS,
U.S. Agricultural Attaché, Canberra

Sweet Cherry Area, Output Up in Japan

Below: Japanese cherries are cooked slightly in red food coloring before being canned. Left: Virtually all canneries process cherries with stems. Bottom: Author (l.) sees rain canopies tested as aids to avoid fruit splitting.

JAPAN, LONG KNOWN for the flowering cherry trees decorating its parks and gardens, is responding to a new economic interest in cherry trees of a different sort—those producing for the fresh and processed markets.

The importance of fruit-bearing cherry trees in Japan has until recently been dwarfed by the significant cultural role played by the flowering trees.

However, as the country's economic affluence has grown, both planted area and production of sweet cherries have increased as demand for the fruit has strengthened.

Planted area in 1975 was officially estimated at a record 2,880 hectares, 76 percent above the 1965 level. Although Japan's population increased only 14 percent in the same decade, the country's uptrend in living standards resulted in a 138 percent increase in fresh cherry wholesale prices at the Tokyo central produce market.

Imports of fresh cherries are prohibited under Japan's plant-protection law.

However, rising prices may not necessarily assure further significant increases in area and production. Many experts believe Japan's fresh cherry production and planted area will tend to level off, for the following reasons:

- Other crops, some offering higher returns, are competing for the available land.
- Crop sizes fluctuate from year to year, offsetting part of the advantage of higher prices.
- A high degree of vulnerability to adverse weather raises the risks to producers.

Japan has no producers that specialize in cherry growing. Most cherry orchards occupy less than 1 hectare, and the average number of trees per hectare is about 148. Apparently, there are no cherry orchards in Japan larger than 2 hectares in size.

Although cherry production offers a potential for high returns, there is also the risk of substantial loss. An unofficial Government survey conducted in Yamagata Prefecture (where about 80 percent of the country's sweet cherry crop is grown) in 1973 indicated that the average net profit was the equivalent of about 80 cents per kilogram or about $6,080 per acre, compared with about $417 per acre for Yamagata rice. Farms in the survey apparently experienced minimal loss in yield because of favorable weather. On a national average, 80 cents per kilogram would be about $2,000 per acre net profit for cherries, compared with about $240 per acre for rice in 1973.

In 1973, over 70 percent of the 15,490 metric tons marketed went for processing, leaving about 4,000 tons for the fresh market in a country of 110 million relatively affluent consumers. The availability of supply is a major limitation in the size of the market for fresh cherries.

In May—the begininng of the cherry marketing season—retail prices may reach as high as $5.50 per pound. About 90 percent of the fresh cherries marketed are sold during June, and retail prices during that month are usually about $1.75 per pound.

Despite Yamagata's importance in the country's total cherry production, sales of cherries account for only about 3 percent of the Prefecture's gross agricultural income. In 1973, cherry production ranked fifth as an agricultural income earner in Yamagata, grossing about $18.6 million. Rice was first, at $315.2 million, folowed by hogs ($41.5 million), silk ($22 million), and grapes $20.8 million).

—By BRYANT H. WADSWORTH
Former Asst. U.S. AgriculturalAttaché
Tokyo

JAPAN: SWEET CHERRY AREA, PRODUCTION AND PRICES, 1965-75

Year	Area	Production	Wholesale price[1]
	Hectares	*Metric tons*	*Dol. per kg*
1965	1,640	7,790	1.11
1966	1,690	7,380	1.36
1967	1,620	8,510	1.29
1968	1,630	8,490	1.52
1969	1,660	11,200	1.78
1970	1,720	13,100	1.82
1971	2,170	6,280	2.17
1972	2,560	10,700	2.46
1973	2,700	16,400	2.57
1974	2,790	17,700	1.97
1975	2,880	13,400	2.64

[1] Average at Tokyo Central Wholesale Market.

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EC Commission Reports on Drought Impact

Continued from page 8

600,000 tons; manioc and similar products, 2.5 million tons; and citrus pulp. Most important among all these imports are oilcake and meal upon which EC supplies must depend.

The EC rapeseed harvest is estimated up at 950,000 to 970,000 tons in 1976 as compared with 900,000 tons in 1975. Sunflowerseed production is expected to fall from 165,000 to 115,000-135,000 tons.

BEEF

Cattle numbers, which fell by 2.3 percent in 1975, are expected to fall again during 1976 as a result of the abnormally high slaughtering level. Because of these increased slaughterings, EC beef production in 1976 will fall by only about 3 percent instead of the 6 percent decline predicted earlier. Intervention stocks are expected to be slightly higher at the end of 1976 than in December 1975. However, the Commission notes that the amount of beef taken off the market by intervention purchases and private stockage programs, is close to the maximum technically feasible.

Beef production in 1977 is now expected to fall 6 percent below the 1976 level. As a result of this anticipated drop in beef production, combined with continued modest gains in consumption, significant increases in beef imports are expected in 1977 and 1978. The Commission also expects that world prices will be high during that period as a result of an imbalance between supply and demand.

FRUITS AND VEGETABLES

The drought does not seem to have had much effect on fruit production. Apple production is down from 7.3 million to 6 million tons, but for reasons other than the drought. Pear production at 2.34 million tons is only slightly below last year's level.

There are many uncertainties regarding vegetable production due to the rapid rotation of these products and the possibility of glasshouse production. It appears that the production of peas and beans has been hit the most severely. In the regions hit by the drought, production will vary from 20 to 85 percent of normal. Damage to cauliflower, cabbage, onions, and carrots is expected to be less severe with reductions in production of 20 to 30 percent. Certain other products that grow rapidly, such as lettuce, have been reseeded and may attain normal levels.

The 1976 potato harvest is expected to be about 30 million tons as compared with 33 million tons in 1975 and 40 million tons in the 2 previous years. Nevertheless, the Commission does not expect that prices will reach the high levels registered at the start of 1976. It feels that a more rational use of potatoes (less for feed and for starch production), a continued reduction in human consumption, and the possibility of greater imports—facilitated by new trade patterns developed last year—will moderate price increases. The Commission notes that a normal potato harvest is expected in Poland this year, that Swedish production is double that of a year ago, and that good harvests are expected in the United States.

DAIRY

Milk deliveries were up 6 percent in the first half of 1976. July-September deliveries are estimated 3.5 to 4 percent below the same period in 1975, while a decline of 2-3 percent below the 1975 level is expected in the last quarter of this year. Thus, for the whole of calendar 1976 milk deliveries are expected to be 1.5 percent above those of 1975.

Butter production was up 14 percent in the first half of 1976, but is expected to be down 8 percent in the second half; thus, the total increase in butter production is estimated at 3.5 percent. Nonfat dry milk production was up 17 percent in the first half of 1976, but is expected to be down 12 percent in the second half and up 4.5 percent overall. Stocks of NFDM are expected to be about 1.25 million tons at the end of 1976, while stocks of butter should total 275,000-300,000 tons. Milk deliveries for the 1976/77 milk marketing year (April 1 to March 31) are expected to be down 0.5 to 1 percent as compared to 1975/76. Butter production is expected to fall 1.5 to 2 percent and NFDM 2.5 to 3 percent.

EC consumption of liquid milk and other fresh milk products, promoted by high summer temperatures, is expected to increase by 0.5 to 1 percent this year. However, U.K. consumption of butter has fallen more than expected.

*U.S. GOVERNMENT PRINTING OFFICE: 1976 211-407/63 1-3